

October 29, 1997

**NEW \$500,000 MINOR IMPROVEMENT (MI) LIMITATION
FOR DEPARTMENT OF VETERANS AFFAIRS
NON-RECURRING MAINTENANCE (NRM) PROJECTS**

1. **PURPOSE:** The purpose of this Veterans Health Administration (VHA) Directive is to provide guidance to implement the new \$500,000 Minor Improvement (MI) Limitation for Non-recurring Maintenance (NRM) Projects.
2. **BACKGROUND:** The \$500,000 MI Limitation was approved by the Chief Network Officer on July 5, 1996, and concurred in by the Congressional Appropriations committee staff on November 6, 1996. The former limitation for NRM projects was \$150,000 in MI costs. Examples of Minor Improvement costs include structural changes, space utilization changes, construction of new or additional space, and the installation of additional facilities or systems. The \$500,000 limitation increases the Department's flexibility to accomplish priority NRM projects using available medical care appropriation funds.
3. **POLICY:** The Department of Veterans Affairs is authorized to accomplish NRM projects that include up to \$500,000 in MI costs. Such projects are subject to the requirements of the NRM Program and as described in paragraph 4a to 4f. This directive shall become effective and fully implemented beginning October 1, 1997.
4. **ACTION**
 - a. Veterans Integrated Service Networks (VISNs) will identify capital initiatives within their respective networks that are required to implement their respective network strategic plans. These capital initiatives will be included in their strategic plan as their "capital strategy." Capital initiatives with an estimated MI cost of not exceeding \$500,000 will be funded from VHA's medical care appropriation, capital account (previously the NRM appropriation). All capital infrastructure projects (include both construction and medical care (NRM) appropriations) that exceed a total project cost of \$3 million shall be individually identified in the network's strategic plan and shall also be submitted to the VA Capital Investment Board (VACIB) for approval prior to inclusion in the network's NRM Operating Plan.
 - b. VISNs will evaluate their capital initiatives and will identify capital needs on a continual basis. Annually, VISNs will review, prioritize, and select capital initiatives with MI cost not exceeding \$500,000 (NRM Projects) that offer the highest "return" in terms of payback and/or

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attainment of strategic goals or objectives. These selected projects will determine the network's NRM operating plan for a given tactical planning period (operating budget). VISNs will submit their NRM Operating Plan to VHA Headquarters (VHAHQ), by October 15 each year for final approval by the Assistant Secretary for Management (004). Any NRM initiative included in the NRM Operating Plan that has an estimated total project cost greater than \$3 million must have approval of the VACIB for approval in accordance with VA's capital investment process.

c. All capital projects funded from the medical care appropriation capital account with estimated MI costs greater than \$25,000 or with total project cost greater than \$150,000 will require an NRM project number and monthly transmission of VA Form 10-0051, VHA Projects Progress Report, by the VA medical center. Project progress reporting will commence with initiation of the project design through substantial completion of the construction. Project obligations, expenditures, and status will be tracked for management as well as performance reporting purposes through the submission of the monthly progress reports. Therefore, the accuracy of information transmitted in these reports is of utmost importance.

d. All capital NRM initiatives, whether station or VISN funded from the medical care appropriation, with a total project cost in excess of \$150,000 shall be individually identified in the network's NRM Operating Plan. Projects with a total project cost of less than \$150,000 (regardless of MI cost) need not be individually identified in these plans. These projects shall be included in the plan as a lump sum summary line item.

e. Due to the changing health care environment, changing capital needs, and emergencies or otherwise unforeseen capital initiatives during the tactical period, it is likely that the VISNs will need to make changes from their approved operating plan during the course of the fiscal year. VISNs shall ensure that changes in the approved plan maintain the integrity of the approved plan and their respective capital strategies. Particular emphasis should be placed on preserving the emphasis on special project categories and/or Secretarial or Departmental initiatives that were reflected in the approved plans. Addendum to the approved operating plan (total project cost >\$150,000 but < \$3,000,000) shall be approved by the Network Director. Network Director's are not authorized to approve addendum to the NRM Operating Plan that exceeds \$3 million total project costs without prior approval by the VACIB. At the close of the fiscal year, VISNs will submit an amended operating plan reflecting all addendums or changes made to the approved operating plan. These amended operating plans shall be submitted by October 15 each year concurrent with submission of the operating plans for the next operating cycle.

f. Refer any questions regarding this directive to the Engineering Management and Field Support Office (10NB) at 202-273-6138.

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5. **REFERENCES:** VHA Supplement to MP-3, Part I, Chapter 4.
6. **FOLLOW-UP RESPONSIBILITY:** Chief Network Office (10NB).
7. **RESCISSION:** VHA directive 10-94-049 is rescinded. This VHA Directive will expire June 30, 2000.

S/M. Murphy for
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health

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